



U. S. Department of Justice

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PRESS RELEASE
***GRAND JURY RETURNS INDICTMENT
CHARGING SIX INDIVIDUALS IN
ALLEGED MORTGAGE FRAUD SCHEME***

***CASE IS A RESULT OF COORDINATED EFFORTS
OF UTAH MORTGAGE FRAUD TASK FORCE***

SALT LAKE CITY – A federal grand jury returned a 15-count Wednesday, unsealed this morning, charging six residents of Utah with wire and mail fraud in connection with a mortgage fraud scheme involving the purchase and resale of upscale residential properties, including five in the Provo River Bottoms area.

The case is the first federal indictment sought by members of the Utah Mortgage Fraud Task Force, announced earlier this fall. The Utah Mortgage Fraud Task Force includes local, state, and federal law enforcement officers; state and federal prosecutors; and representatives of regulatory agencies. (A copy of the press release announcing the task force issued earlier this year is attached for background information.)

Charged in the indictment are Bradley Grant Kitchen, age 39, of Provo; David R. Bolick, age 50, of Sandy; Steve Wells Cloward, age 38, of

Orem; Ron K. Clarke, age 38, of Provo; Jeffery David Garrett, age 42, of Provo; and Rebecca Ann Hadlock, age 30, of Saratoga Springs.

Defendants have received a summons to appear in federal court for an arraignment in January. The potential maximum penalty for each count in the indictment is 20 years in federal prison and a \$250,000 fine. Defendants charged in indictments are presumed innocent unless or until proven guilty in court.

The indictment alleges the defendants, functioning in various roles (mortgage brokers, investors, real estate agent, appraiser, straw buyers, and escrow agents), formed a network to engage in transactions to obtain a series of loans secured by real estate worth less than the loans through fraudulent pretenses and representations.

The indictment charges that Kitchen reached an agreement with Bolick to conduct real property purchases through Bolick's company, Home Owners Group (H.O.G.), backed up by another Bolick entity known as Paragon Investment Group (P.I.G.). Shortly thereafter, Kitchen and others began to purchase residential properties and, through false statements on loan applications and false appraisals, to falsely and deceptively inflate the apparent value of these properties to induce lenders to grant loans for amounts in excess of their fair market value, according to the indictment.

According to the indictment, the plan worked in several phases:

First, Kitchen and others caused H.O.G. to execute paperwork to purchase homes in the Provo River Bottoms area.

Second, the indictment alleges Kitchen and Bolick recruited straw buyers to make false and deceptive statements to lenders while acting as borrowers on resales of the residential properties on which H.O.G. had contracts of purchase. The indictment alleges these false statements included significant overstatements of income; claims of non-existent assets of between several hundred thousand and several million dollars; false principal occupancy declarations; non-disclosure of the payment of fees to the straw buyers for signing papers; the falsification of down payments when in fact there were no down payments being made to obtain the loans; the over-valuation of River Bottoms properties; and non-disclosure that the

straw buyers had been assured that they need not make loan payments -- that they would be handled by Kitchen through H.O.G. or P.I.G.

These false statements were included in loan applications and loan packages to divisions of Countrywide Home Mortgage and American Broker's Conduit in California and New York, respectively.

Third, Kitchen, Clark or others caused properties to be entered into the Multiple Listing Service reflecting a sale on River Bottoms properties which had either not occurred or sales that had occurred at deceptively inflated prices. These exaggerated MLS listings were then used as fodder to support overstated appraisals. These inflated appraisals also gave Countrywide Home Mortgage and American Broker's Conduit false assurance that the value of the River Bottoms properties was sufficient to protect their loan investments in the properties in the event the loans went into default, according to the indictment.

The indictment alleges that Kitchen and Cloward caused the River Bottoms properties to be reappraised at a value more than twice the original sales contract price to H.O.G. Kitchen and Bolick, according to the indictment, recruited straw buyers with good credit ratings to contract to purchase the River Bottom properties from H.O.G. at a price well in excess of the H.O.G. contract price. The indictment alleges Kitchen told or caused the straw buyers to be told one or more of the following: that they would not have to invest any money of their own to buy the home; they would be paid a substantial fee for signing the loan papers; they should claim in loan documentation that their income and assets vastly exceeded what the straw buyers then made or owned; they should claim an intent to occupy the home and to make a down payment even though they did not intend to do so; that they would have no risk, including no obligation to make loan payments on the home; that they need not move into the home purchased; H.O.G. or another entity would make the home loan payments; and the home would be resold in short order, thus relieving them of any worries about liability for the loan.

Fourth, the indictment alleges that on several occasions, Kitchen, with the cooperation of title insurance and escrow agents, Garrett and Hadlock, manipulated the closing documentation to reflect non-existent down payments of several hundred thousand dollars. On several occasions these same closing agents also manipulated the closings to conceal the true

substance of the closings: that the original H.O.G. purchase of the property was not yet completed, that the flip purchases by the straw buyers were being closed first and that the loan proceeds of the second transaction were being used to close both transactions. The lender and straw buyers were never aware that they had participated in the purchase of a property from H.O.G. that H.O.G. did not yet own.

The indictment charges that these flip transactions yielded several millions of dollars in inflated loan proceeds, which were diverted to the benefit of the participants in the scheme, and used for, among other things, to make loan payments on the River Bottoms homes to create the appearance that the loans were performing.

The indictment also includes a notice of intent to seek millions of dollars in criminal forfeiture from the defendants involved in the alleged offenses.

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